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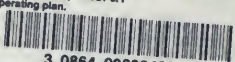
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Helena, Montana 59601 • (406) 444-5825



Introduction



This document outlines the strategies and efforts of the Montana Lottery for the period of July 1992 through June 1993.

The purpose of the Montana Lottery is to generate revenues to supplement funding for public education and juvenile detention facilities. While the Lottery revenues cannot be expected to solve the state's budgetary problems, we take pride in knowing that they do play a part in helping fund these essential programs.

There is far more to the successful operation of the Lottery than meets the eye.

The Lottery is essentially a \$31 million business, with all of the complexities of a business this size and the added challenges of operating under strict security standards and government requirements.

In the following pages, we hope to provide readers with a better understanding of the organization and the many responsibilities carried out by the Lottery Commission and staff.

Our primary goal for the year ahead is to meet and surpass sales projections, through the implementation of the efforts presented in this plan. Additionally, we plan to generate revenues in excess of \$6.1 million for the state programs the Lottery helps support.

Sandra Guedes
Director

Legislative Liaison Committee

The Montana Lottery Legislative Liaison Committee is composed of four legislators, with equal representation from the Democratic and Republican parties. Two members of the Committee are appointed by the President of the Senate and two by the Speaker of the House.

The Legislative Liaison Committee meets with the Lottery Commission and Director at least once each year and reports to the legislature on the activities and operations of the Lottery.

Lottery Commission

The Lottery Commission is composed of five members of the private sector, who are appointed by the Governor of Montana to serve staggered four year terms. According to the law, the Commission must include an attorney, a certified public accountant and a member who has had at least five years experience as a law enforcement official; the other two commissioners are members at large.

The Commission sets policies, oversees Lottery activities and procedures, and advises the Governor on matters related to the Lottery.



**Ward Shanahan,
Chair, Attorney,
Helena**



**Rebecca Erickson,
Restaurant Owner,
Glasgow**



**Dwaine Iverson,
Certified Public
Accountant, Shelby**



**William Ware,
Chief of Police,
Helena**



**David Kasten,
Rancher,
Brockway**

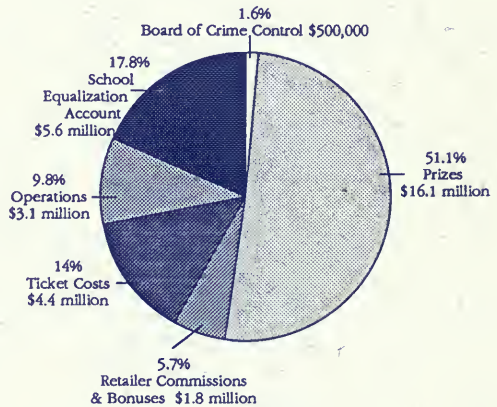


Lottery Funding

Revenues generated from the sale of Lottery tickets help fund public education through the School Equalization Aid Account and juvenile detention facilities managed by the Board of Crime Control. Since its inception, the Lottery has generated nearly \$25 million dollars for the state programs it funds.

Projected Distribution of Revenues July 1, 1992 - June 30, 1993

Based on \$31.5 million
in sales revenue



Overview of Revenue, Expenditures & Transfers

	FY 87-88	FY 89	FY 90	FY 91	FY 92	FY 93
Sales	\$25.6	\$11.6	\$21.5	\$23.9	\$28.0	\$31.5
Prizes	\$11.5	\$5.3	\$10.2	\$11.7	\$13.6	\$16.1
Commissions	\$1.4	\$.7	\$1.3	\$1.3	\$1.6	\$1.8
Ticket Costs	\$.9	\$.6	\$2.9	\$4.0	\$4.2	\$4.4
Operations	\$3.6	\$2.1	\$2.9	\$2.7	\$3.0	\$3.1
Proceeds to OPI/ School Equalization Account	\$8.3	\$2.8	\$4.2	\$4.2	\$5.5	\$5.6
Proceeds to Board of Crime Control	N/A	N/A	N/A	N/A	\$.1	\$.5

(All figures in millions of dollars.)

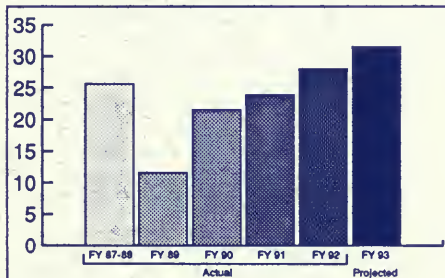
Actual

Projected

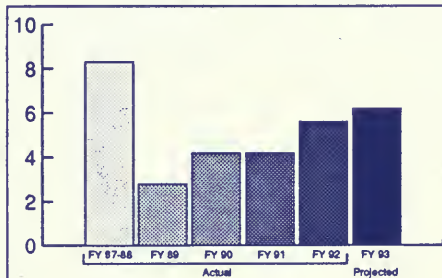
During fiscal year 1992/93, the Lottery is expected to generate another \$6.1 million dollars. The Board of Crime Control will receive 9.1% of the net revenues, or \$500,000, while the remaining \$5.6 million will be dedicated to the School Equalization Aid Account.

Financial Trends

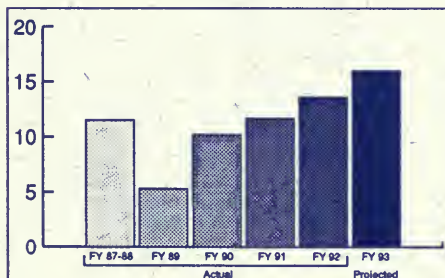
Revenues



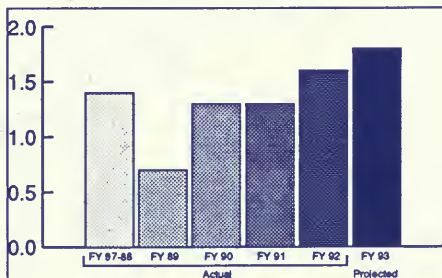
Transfers From Lottery Profits



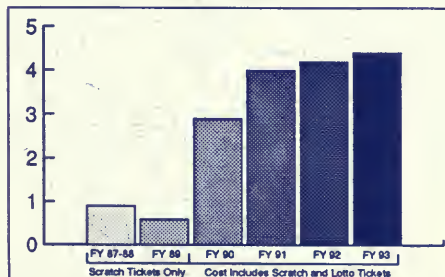
Prizes



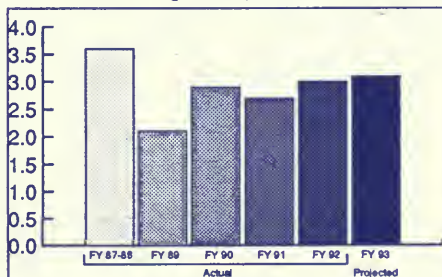
Retailer Commissions



Ticket Costs



Operating Costs

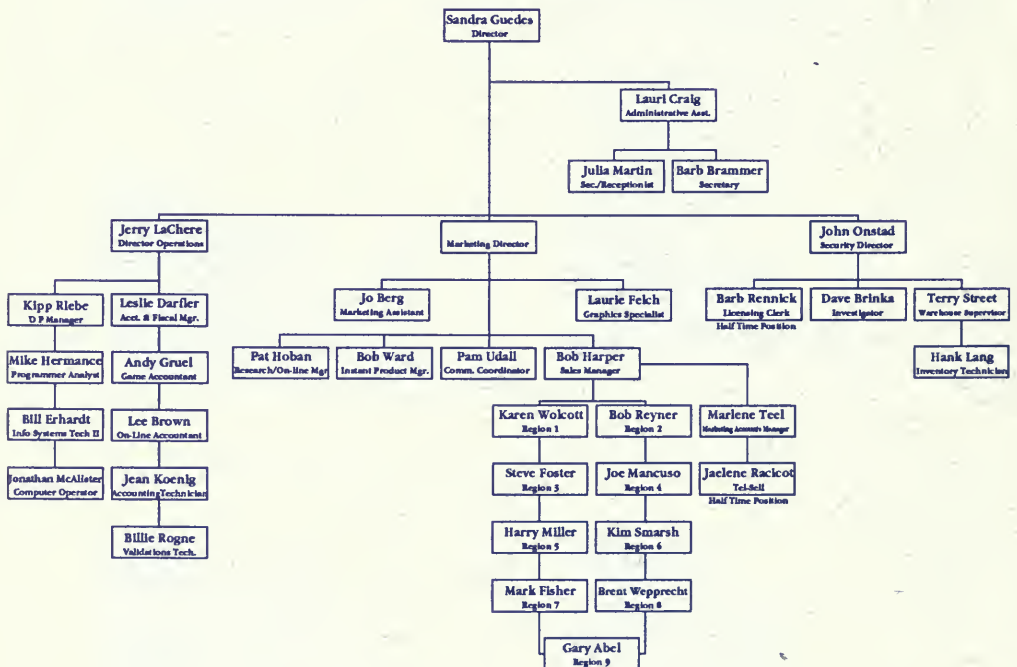


All figures in millions of dollars.

Lottery Structure & Staff Profiles

The Montana Lottery was created by a vote of the people during the 1986 elections and went into operation in June of 1987. The purpose of the Lottery is to generate revenues to supplement funding for other state programs, as stated in sections 23-7-101 through 23-7-412, MCA. The Lottery director is appointed by the governor of Montana and the agency is attached to the Department of Commerce for administrative purposes.

Organizational Flow Chart



ADMINISTRATION



**Lauri Craig,
Administrative Assistant**

Lauri works closely with the Director, providing support and ensuring the smooth and timely flow of information. During the Director's absence, she provides assistance to callers, expedites correspondence or requests, and makes sure urgent matters are handled without delay. Lauri is the liaison with staff on special projects, and oversees the activities of the administrative staff to provide a high quality of service to the public and strong administrative support for the Lottery staff.



**Barbara Brammer,
Secretary**

Barb provides administrative support to the Lottery staff and performs a wide range of duties, such as preparing and distributing winner awareness posters, verifying accuracy of winning claims, and working with the accounting staff to handle paperwork related to retailer credits and charges. Barb is the primary backup to the receptionist, and as such, assists callers and visitors who request information related to the games and activities of the Lottery.



**Julia Martin,
Receptionist**

Julia is often the first contact visitors and callers have with the Lottery. She provides assistance and directs them to the appropriate staff members, ensuring that visitors have signed the

registry book upon arrival and departure and are escorted during their visit to the Lottery, according to the established security procedures. Julia sorts and distributes incoming correspondence, relays messages, responds to routine inquiries, and provides administrative support to the staff.

SECURITY DIVISION



**L. John Onstad,
Director of Security**

John is always abreast of the latest developments in the area of Lottery security. He safeguards the integrity of the Lottery by establishing stringent security standards

to prevent damages, theft or fraud of Lottery games. John directs and supervises background investigations, ticket validations, inventory and storage of Scratch tickets, and maintenance of the Lottery building. It is also John's responsibility to develop and monitor employee access to the Lottery building and the Lottery's computer system.



**Dave Brinka,
Investigator**

Dave is responsible for background investigations of prospective employees, retailers and contractors. He investigates and assists other law enforcement agencies in instances of

theft or fraud involving Lottery products and serves as an advisor to Lottery retailers in matters related to the storage and handling of Lottery products. He also helps employees with password use as part of his duties as Computer Systems Security Administrator.



**Barbara Rennick,
Licensing Clerk**

Barbara is responsible for accurate issuance, renewal and revision of Lottery licenses to qualified retailers. She updates files and works with the warehouse staff in the shipping of Lottery

tickets to retailers. Barbara also performs Security duties related to incoming mail to assure that winners' claims are segregated from the daily business correspondence prior to being opened.



**Terry Street,
Warehouse Foreman**

Terry's primary responsibility is the on-going development of an accurate method of inventory and storage of Lottery products. He keeps a tight rein on all security aspects of the warehouse, allocating and tracking the distribution of Scratch tickets and conducting a careful inventory at the closing of each game, to make sure that every single ticket is accounted for. Terry ensures maintenance of the Lottery building and applies his engineering talents to the building and remodeling of booths and other structures needed for the Lottery's participation at fairs and events.



**Hank Lang,
Warehouseman**

One of Hank's many tasks is the daily handling of the mail containing winners' claims. In cooperation with Barb Brammer, Hank processes and sorts the incoming claims mail before

it is given to the Validations Officer. He also assists with the inventory and distribution of Scratch tickets to the field staff. Hank takes great care in the preparation of the daily mail packets sent to the field staff, containing the invoices needed for future daily deliveries. He also prepares packages of tickets and other materials to be shipped to retailers.

OPERATIONS DIVISION



**Jerry LaChere,
Director of Operations**

Jerry keeps the Lottery on solid financial grounds. He directs and oversees the financial management and data processing operations of the Lottery, prepares

revenue projections and cash flow analyses, and leads the accounting and data processing teams. Jerry ensures accurate financial information and computer equipment operations. He also follows lottery trends and provides critical information to help Lottery management make well informed decisions related to all areas of operation.



**Leslie Darfler,
Comptroller**

Accuracy and timeliness are Leslie's trademarks. As the person in charge of the Lottery's accounting and financial management, her responsibilities include preparing financial reports,

budget monitoring, financial analyses, and daily cash flow management. Leslie also directs and oversees payments, collection of accounts receivable, monthly reconciliation of the Lottery's three data processing systems, disbursement of prize payments, and the quarterly transfer of the Lottery's net revenues according to the law.



**Lee Brown,
Accountant**

Lee is responsible for the daily management of the Lottery's cash flow. He prepares financial reports and documents, inputs and updates data related to the state's accounting system,

analyzes performance of Lottery games and promotions, and assists staff with other needs related to the financial operation of the Lottery. Lee also participates in the testing of new or enhanced software prior to its implementation in order to ensure smooth transitions and accurate accounting data.



**Andy Gruel,
Game Accountant**

Andy assists in the preparation of quarterly and annual financial reports. On a daily basis he balances lotto and Scratch ticket lottery systems, and responds to requests from retailers and the players.



**Billie Ann Rogne,
Validations &
Purchasing Officer**

Billie's top priority is to validate and pay all winning Lottery tickets. Billie is also responsible for supply orders, and balancing the Instant Lottery System with the state's accounting system (SBAS).



**Jean Koenig,
Accounting Technician**

Jean processes payment of all Lottery bills and updates retailer information as necessary. She also processes all returned Scratch tickets to ensure accurate and prompt credit to Lottery

retailers. Jean collects non-sufficient fund items, answers questions from retailers about their accounts, and reconciles the state's accounting system reports to the on-line system.



**Kipp Riebe,
Data Processing Manager**

Kipp establishes long-range data processing plans and directs the Data Processing staff in the development and implementation of programs aimed at supporting and facilitating the work of the

Lottery staff. He evaluates needs and plans ahead to make sure the Lottery computer equipment and software are always current. Kipp also assists the Security Division in maintaining the integrity and security of all computer data and is responsible for the design, testing and implementation of the Lottery's disaster recovery plan.



**Michael Hermance,
Computer Programmer**

Michael's primary responsibility is to maintain the Lottery's software packages (Instant Lottery System and Internal Control System), including major changes such as Retailer Bonus

Commission and a four week retailer payment schedule. Many reports or changes requested by the Lottery staff are provided by Mike. He also assists in extensive testing of periodic changes and enhancements made to the on-line computer system, located in Olympia, Washington, and is the Lottery's personal computer coordinator.



Bill Erhardt, Computer Programmer

Bill operates and maintains the Instant Lottery System (ILS) software package. He modifies existing programs and develops new ones to meet the information needs of the Lottery staff, and

makes sure the necessary reports are delivered to users. Bill also operates and maintains the Internal Control System (ICS) software which contains data related to all on-line tickets sold. The data is used to balance Powerball and Montana Ca\$h drawings. He is also available to anyone on staff in need of assistance related to word processing and spreadsheets.



Bob Ward, Instant Product Manager

Development of all Scratch tickets begins with Bob. He is in charge of the millions of Scratch tickets produced by the Lottery each year and follows every step of game development, from initial

concept to the final delivery of tickets. Bob works closely with Laurie in the development of the creative designs, with Pat in the market-testing of numerous game concepts, oversees ticket printing, and makes sure all security steps are accurately followed. Bob also develops retailer promotions for the Scratch games.



John McAlister, Computer Operator

John is the Lottery's "Late Shift" person. He runs computer programs to process daily sales activities and prepares computer files for off-site storage of the data. John handles the

Lottery's balancing procedures for Wednesday and Saturday lotto drawings, and is the first person to know if a ticket purchased in Montana matches the winning numbers for Powerball or Montana Ca\$h.



Pamela Udall, Communications Coordinator

Pam is responsible for the Lottery's public relations efforts which encompasses special events, winner awareness, drawings, and media relations. Getting the

word out about the Lottery's winners is essential, and Pam spends much of her time doing just that..creating winner awareness. She meets the winners, presents them with their checks, and follows up with media contacts. She also writes, edits, and coordinates all public information materials, such as annual reports, brochures, press releases, and fact sheets. Special events also utilize much of Pam's time as she travels around the state encouraging new players to try Lottery games and creating renewed excitement among current players.

MARKETING DIVISION

Director of Marketing

Creativity and the ability to stretch limited resources are the key requirements of the Lottery's Director of Marketing. The Director of Marketing directs and supervises the wide range of activities carried out by the Marketing staff, including market research, public relations, sales and the development of advertising campaigns. Much time is also spent working with the contracted advertising agency in planning, designing, and implementing all advertising and promotional materials.



Pat Hoban, Research and On-line Product Manager

Pat's research expertise plays an important role in ensuring the success of Lottery games and promotions. It is through Pat's work that the Lottery staff is able to make sound deci-

sions when designing new games or deciding on the best promotional strategies to increase sales. Research conducted or supervised by Pat includes demographic profiles of Lottery players and players' reactions to new game designs. Pat is also the person responsible for managing the Lottery's current on-line games and participating in the development of new on-line games.



Laurie Felch, Graphics Specialist

Laurie is the Lottery's "Mac expert," whose original and colorful Scratch ticket designs seem to hit the mark with Montana's players. Laurie also applies her talents to fill a wide range of

needs by working with the Lottery staff in the layout and production of publications, graphs, charts, posters and a wide range of promotional materials.



Jo Berg, Marketing Assistant

Jo works closely with the entire Marketing staff, providing administrative support and assistance. She handles mass mailings to retailers, prepares reports and coordinates the central

filing of Marketing documents. Jo also works with the Communications Coordinator on a variety of public relations projects, including participation at fairs and events, interviewing winners, arranging press conferences and writing press releases related to Lottery winnings. Jo writes and updates procedures for all Lottery drawings and plays an important role as Drawings Officer for the twice weekly drawings of Montana Ca\$h.



Robert D. Harper II, Sales Manager

Bob sets goals and objectives for the Lottery's nine field Marketing Representatives, and works with each one of them to develop strategies to meet or surpass established goals.

Bob ensures open lines of communications with Lottery retailers and works with the corporate offices of store chains which account for a large percentage of ticket sales, such as Buttreys, Town Pump and many others. Bob is also the person who monitors the performance of Lotto terminals and manages their placement in such a way as to ensure retailer satisfaction and the highest return for the Lottery.



Marlene Teel, Marketing Accounts Manager

Marlene contacts each one of the Lottery's 800-plus retailers every two weeks, on a pre-set schedule. She takes orders for Scratch tickets, offers assistance and

keeps retailers informed of any developments at the Lottery. Apart from the scheduled Tel-Sell calls, Marlene also receives countless calls on the Lottery's 800 hotline, whenever a retailer needs a rush delivery of tickets or wants information related to account balances. Marlene stays in close touch with the field Marketing Representatives, keeping them informed of retailer requests and other matters which may impact their sales regions.



Jaelene Racicot, Tel-Sell Assistant

Jaelene works mornings at the Lottery, assisting Marlene with calls to hundreds of Lottery retailers, fielding incoming calls and assisting the Marketing staff with a variety of projects such as filing and preparation of reports.

Marketing Representatives - the field staff

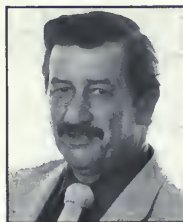
The Lottery's nine Marketing Representatives are responsible for the marketing and sales of Lottery products to licensed retailers in their assigned sales regions. Marketing Reps stay in close contact with Lottery retailers, visiting each Lottery ticket outlet once every two weeks. During these visits, they deliver ticket inventory and look for opportunities to help retailers increase ticket sales, through the placement of banners, posters and other promotional materials, and through the development of joint promotions. Marketing Representatives are always on the lookout for opportunities to increase the number of Lottery retailers in their region to achieve a higher level of Lottery sales.



Karen Wolcott, Region 1



Bob Reyner, Region 2



Steve Foster, Region 3



Joe Mancuso, Region 4



Harry Miller, Region 5



Kim Smarsh, Region 6



Mark Fisher, Region 7

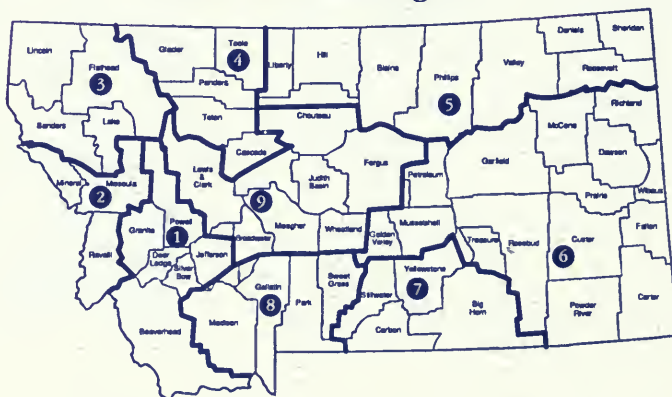


Brent Wepprecht, Region 8



Gary Abel, Region 9

Montana Sales Regions





Security

Because the Lottery controls a valuable inventory of tickets and the disbursement of large prizes, every aspect of the agency's operation is subject to rigorous security controls. To safeguard the integrity of the Lottery, strict security measures are developed and overseen by the Lottery's Director of Security, as summarized below.

- All prospective Lottery employees, retailers and contractors are subject to thorough background investigations, with assistance from the FBI and the Montana Department of Justice.
- The Lottery building is protected from access by unauthorized persons. Sophisticated alarm systems are in operation at all times.
- Employee access is controlled. Employees have the necessary access to perform their duties, but are restricted from other areas of the building, or entirely restricted from access to the building during certain days of the week or times of day.
- The flow of visitors to the secured areas of the Lottery headquarters is closely monitored, requiring visitors to sign in and out, and to be escorted at all times.
- Lottery's computer systems access is controlled, giving authorized personnel access only to specific areas of the system. Any attempts to access restricted areas are automatically reported.
- A dual security control mechanism is established, whereby winning tickets, ticket inventory and ticket disposal are always jointly processed and verified by two staff members, from different divisions of the Montana Lottery.
- Lottery tickets are produced and printed in compliance with a wide range of security measures, including the use of special inks, dyes and security codes.
- Lottery drawings follow an extensive set of pre-tests and security procedures and are witnessed by an independent CPA firm. Additionally, all second-chance drawings include public participation in the selection of winning entries.
- Whenever there is a suspicion of illegal activities, thorough and prompt investigations are conducted by the Lottery Security staff, with involvement by other law enforcement agencies, when appropriate.

Lottery security systems and controls are thoroughly audited by the Legislative Auditor's staff on a biannual basis, with the findings reported to the Legislative Audit Committee prior to each regular session of the Legislature.



Operations

To a great extent, the success of all lotteries hinges on the efficient operation of sophisticated data processing and financial management systems.

Financial Management - The Montana Lottery operates as an enterprise fund, utilizing the full accrual basis of accounting, as used by private businesses. Its budget is subject to the legislative appropriation process.

The Lottery's finances are thoroughly audited, on an annual basis, by an independent CPA firm hired by the Legislative Auditor's Office. Results of the financial audit for the fiscal year 1991/92 are presented in the Lottery's Annual Report, available for public distribution.

Following is an overview of the many complex tasks carried out by the Operations staff at the Montana Lottery.

- Making sound revenue projections and cash flow analyses prior to the start of each fiscal year, and monitoring Lottery cash flow on an ongoing basis, to maximize the Lottery's earnings potential through the State's Short Term Investment Pool (STIP).
- Monitoring and reporting revenues on a daily and weekly basis, providing comparison of actual revenues against projections and an overview of the performance of each Lottery game.
- Tracking budgets and expenditures on an ongoing basis, in order to meet state regulations and avoid overspending in any category.
- Transferring all net revenues to the School Equalization Aid Account and the Board of Crime Control on a quarterly basis, as required by law.
- Preparing detailed financial reports on a quarterly and annual basis, and providing assistance to the independent CPA firm who performs an annual audit of the Lottery's financial records.
- Producing timely and accurate reports on expenditures, ticket sales and returns, retailer bonuses, ticket inventory, promotional credits and other information, in order to assist Lottery management in making sound decisions on a wide range of issues.
- Implementing an effective and streamlined system of prize validation and payment. During the 1992/93 fiscal year, the Lottery is expected to pay approximately 5,000 winning ticket claims, which could range from \$1 to a multi-million dollar jackpot win. Prizes of \$50 or less are redeemed by Lottery retailers.
- Implementation of an accurate system of electronic funds transfers (EFT's), to collect funds from retailer accounts to cover the Lottery's costs of tickets sold.

Data Processing - Without sophisticated computer systems there would be no Montana Lottery as we know it today. The millions of tickets sold each year need to be accounted for and winners verified, a task that would take hundreds of people without the Lottery's computer systems.

The following is an overview of some of the computer system functions carried out by and for the Montana Lottery.

- The Lottery has a computer system that combines two systems in one, which allows the computer to operate even if one of its hardware components is inoperative. This system's major function is to process sales, account for, and collect funds for the Lottery's Scratch tickets.
- The printing of Scratch tickets is also controlled by computers. With the computer the correct number of winners can be guaranteed while at the same time no one knows where any winner is located. The verification of the number of prizes printed for each Scratch game is also conducted by a public accounting firm through the use of an independent computer program.
- The Lottery has contracted for the services of a computer network throughout the State of Montana to offer its lotto games, Powerball and Montana Ca\$h. The network consists of computer terminals that communicate through dedicated telephone lines to three computer systems. Each time a sale is made, it is processed by each one of these computer systems before the lotto ticket can be printed by the retailer terminal. In addition to the duplication of data, the triplex computer system assures that the Lottery will be able to sell lotto tickets even in the highly unlikely case of two computer systems becoming inoperative.
- Independent winner verification for lotto games is essential. The Lottery transfers and verifies the receipt of all lotto transactions to its computer from the vendor's triplex computer system when sales end one hour before each drawing. After the winning numbers are drawn they are input into the vendor's system and the Lottery system and the number of winners in each system is compared against the other, making sure that all prize winners have been identified.

In November, the Lotto terminals will be updated with a new and improved software program which allows the Lottery to offer variable length ticket stock to players. This new technology saves paper and time for Lottery retailers by printing multiple plays on a single ticket.





Marketing

The Marketing area of the Montana Lottery combines many varied functions, ranging from the design of games to the implementation of advertising campaigns and sales strategies. The allocation of marketing funds is made in such a way as to generate the highest possible return on investment. Following is an overview of some of the main Marketing responsibilities and projects for the year ahead.

Research & Game Development - Before each game is introduced, it must first be successfully tested through focus group sessions around the state. The test sessions measure Montanans' reactions to the proposed game theme, play style, graphic presentation and prize levels. All Scratch game concepts are tested twice and refined according to input received. This process requires a lead time of many months before each new game is introduced.

During the early part of 1993, a series of new concepts will be tested through focus groups sessions around the state. The concepts to be tested will give stronger emphasis to Montana themes and will also include card game themes.

One of the newest developments in the area of Scratch tickets is the introduction of paper stock which is recycled and recyclable. The Montana Lottery is exploring the security features and costs associated with the use of the new stock, which may be adopted for all Scratch games starting in the summer of 1993.

Advertising & Promotional Materials - In order to stimulate sales, the Lottery regularly advertises its products to the Montana public through a mix of television, radio, outdoor billboards and newspapers.

In the year ahead, the Lottery will place emphasis on presenting a consistent image through all Lottery ads and messages. An original musical theme is being developed, along with an easily identifiable musical tag, which will be used on all radio and television messages. The Lottery name and logo will also be given more emphasis on all Lottery messages.



Outdoor billboard

Advertising campaigns planned for the 1992/93 fiscal year fall into three main categories: Winner Awareness, Jackpot Awareness and Scratch Game Awareness.

Winner Awareness - In order to show players that people can actually win when playing the Lottery games; it is essential to show actual winners. Overall the Lottery must emphasize the fun and excitement associated with winning the Lottery.

The theme of the Winner Awareness spots is the play on the words "When Montanans Play, Montana Wins," with the intent to make "Montana Wins" the tag line that is remembered by the audience.

A series of three Winner Awareness television spots will be produced, with a different angle to each ad. The first ad of the series will feature Lottery winners in general and will be supported by outdoor billboards. The other two spots will focus on winners of the lotto games, Montana Ca\$h and Powerball.

Jackpot Awareness - Sales of lotto games are greatly affected by the size of the jackpots. A very cost effective way to increase sales is to make current and potential players aware of high jackpots.

The Lottery's strategy is to step up Jackpot Awareness spots for Powerball when the jackpot reaches \$10 million. The message is communicated through 10 and 15 second television and radio spots. Jackpot Awareness spots for Montana Ca\$h begin when the jackpot reaches \$65,000, primarily through radio ads. Apart from specific Jackpot Awareness spots, the closing of all Lottery television ads will feature a superimposed reminder of the jackpot levels.

Scratch Game Awareness - Beginning in the winter of 1992/93, the Lottery will replace game specific ads with a campaign aimed at establishing a strong identity for its instant games, called "Scratch" games. The campaign will consist of radio ads, tagged at the end with information concerning the newest scratch game available. The Lottery may also include outdoor billboards and television support. Another possibility being explored is the production of "Scratch" banners for placement at Lottery retail outlets. Each Scratch game will continued to be supported by its own set of posters, player brochures, and other point-of-sale materials.

Point-of-Sale Materials - The production and placement of promotional materials at ticket outlets is critical to maintain visibility for the Lottery products. Promotional materials remind players that the product is readily available right where they are shopping. During the 1992-93 fiscal year, Point-of-Sale materials will prominently display the Lottery logo. Whenever possible, the materials will be printed in two or three colors, in order to keep printing costs down.

14.5" x 22.5"
Scratch Game poster



12" x 18"
Change Mat



Events - The Lottery's participation at events will consist of representation at four fairs and several horse races, Montana State University basketball games, fishing tournaments, baseball games, rodeos and malls across the state. Participation in these events allows lottery staff to attract new players to the Lottery and generate renewed excitement among existing players. The Lottery's presence at these events also provides the Lottery staff with an informal form of market research, by exposing staff members to players' questions and suggestions. The role of the Lottery staff at these events is limited to promoting Lottery products and providing assistance to its players. Sales will be conducted by licensed lottery retailers.

Cooperative Promotions - In order to stretch limited marketing dollars and maximize profits, the Lottery regularly seeks ways to develop cooperative promotions with its retailers. Cooperative promotions take many forms. Two statewide cooperative promotions are scheduled this year.

- **"Either You Win, Or You Win"**- this promotion will take place in the winter of 1992-93. Each time a player buys five consecutive non-winning Scratch tickets they will receive three more tickets FREE. The promotion will be supported by promotional materials and possibly also advertising.
- **"Ask For The Sale"**- the promotion is based on the premise that Scratch tickets are an impulse purchase. By having store clerks ask each customer if they would like to add a Lottery ticket to their purchases, lottery sales can be drastically increased for a minimal cost. Clerks wear buttons which state "Free Lottery Ticket-If I don't ask you to buy one." The statewide promotion will take place in the spring of 1993 and will be supported by advertising.

4" x 6.5"
Tent Card



Lapel pins
worn by
Lottery
retail
clerks

The Lottery's field Marketing Representatives also develop cooperative promotions with retailers within their sales regions. Each Marketing Representative sponsors an average of twenty promotions per year. These promotions may take the form of second-chance drawings, rewarding sales clerks for wearing Lottery buttons and a variety of other cooperative strategies aimed at increasing sales.

Sales

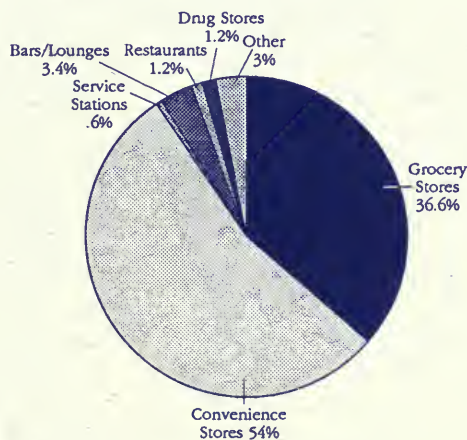
Independent retailers and chain stores are the lifeline of the Lottery and the Lottery sales team dedicates much effort to the development of an efficient partnership with these retailers. The sales team consists of the Sales Manager, Marketing Accounts Manager, Tel-Sell Assistant, and the nine Marketing Representatives. Their goal is to meet the Lottery's sales projections by assisting, and motivating the 800-plus licensed retailers to sell Lottery games.

Tel-Sell stands for "telephone sales," which is the main responsibility of the Marketing Accounts Manager, with help from a half-time assistant. Together they call every Lottery retailer every two weeks, soliciting orders for Scratch tickets. The Tel-Sell staff averages over 80 phone calls per day.

Individual accounts are serviced by the marketing representatives who operate out of nine sales regions across the state. The marketing representatives visit each retailer once every two weeks, delivering Scratch tickets, providing sales and marketing support, and ensuring that Lottery games are well displayed. They also work with retailers to maximize sales through promotions.

Retailer Incentive Program - Lottery retailers receive a 5 percent commission on ticket sales, and have an opportunity to earn an additional 5 percent through the Lottery Retailer Incentive Program. The program is designed to reward Lottery retailers for increasing Scratch ticket sales during each six-week selling period.

Lottery Ticket Retailers Lotto & Scratch Games



Lotto Retailers: 328 Scratch Game Retailers: 895



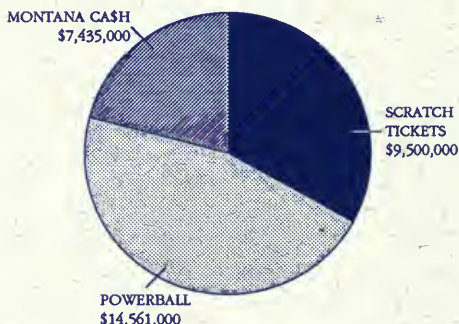
Lottery Products

The Lottery currently sells a variety of instant Scratch games and two lotto games, Powerball & Montana Ca\$h. There are 895 retailers across the state who are licensed to sell Scratch games, while 328 of those retailers also offer lotto games.

Scratch Games are played by scratching the latex covering off the play area of the ticket. If the player uncovers an established number of like symbols or dollar amounts, the ticket is a winner, and the player may collect the appropriate prize immediately.

Scratch Games have been sold by the Lottery since 1987, and continue to be strong sellers, with a new game being introduced approximately every six weeks.

Projected Lottery Sales By Game July 1, 1992-June 30, 1993



Planned Scratch Games for Fiscal Year 1992/93

Games	Sale Dates	Maximum Prize Levels
Cash Cows	7/10/92	\$1,000
Keep On Truckin'	7/22/92	\$26,780 (Truck Package)
Lucky 7's	9/30/92	\$5,000
Matching Suit	11/4/92	\$2,500
Winner Wonderland	12/16/92	\$500
Cash Reward	1/20/93	\$2,000
Fat Cat	3/3/93	\$5,000
Deuces Wild	4/14/93	\$2,000
Tons of Fun	5/26/93	\$5,000



Lotto games are those where players select several numbers out of a predetermined field of numbers, which are then electronically processed and issued by the lotto terminals. To be verified as a winner, the ticket has to match the numbers picked through the Lotto drawing. The drawing date has to be specified on the winning ticket.

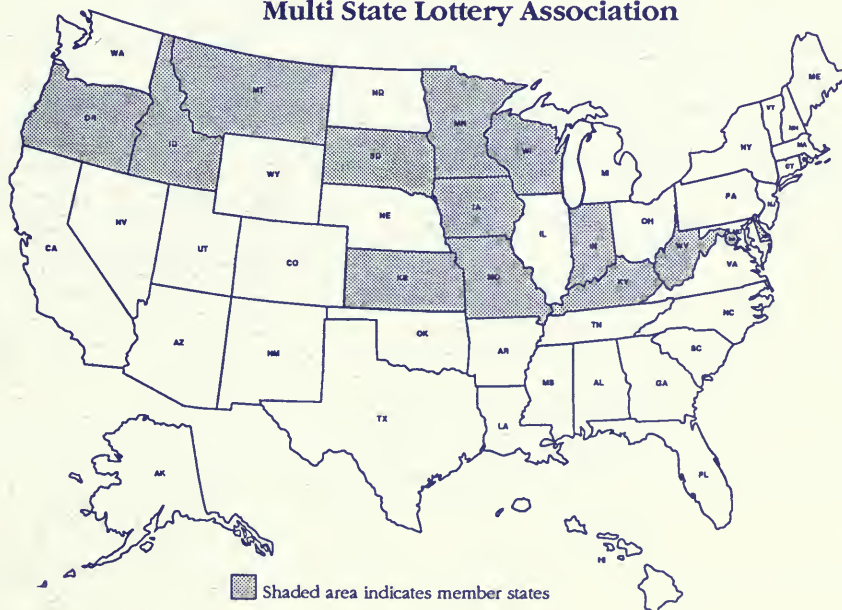
Montana Ca\$h was custom designed for Montana with extensive feedback from Montanans, and was introduced in May of 1991. The game offers players a chance to win a guaranteed minimum jackpot of \$20,000 by matching five numbers from a field of 37. The average Montana Ca\$h jackpot is \$50,000 and the odds of winning are 1 in 217,949.



During the 1992/93 fiscal year, approximately 27 players are expected to win the Montana Ca\$h jackpot.

Powerball is a lotto game undertaken in partnership with fourteen other state lotteries. The fifteen state cooperative offers participating states the advantage of multi-million dollar jackpots, combined with lower operating costs.










Multi State Lottery Association



Powerball replaced Lotto*America in April of 1992, offering players an entirely new game structure and nine prize levels. To win the jackpot, players must match five numbers ranging from 1 to 45, plus the "Powerball" number selected from a second group of 45 numbers. Additionally, players can win a guaranteed \$100,000 prize by matching the first five numbers or other cash prizes by matching other combinations. The odds of winning the jackpot are 1 in 54 million, but odds of winning other prizes are considerably lower, as illustrated below.

Over 3,500 Montana players win cash prizes from each drawing. To date, eight Montanans have won the second-tier \$100,000 prize.

Powerball Prize Structure

Match	Prize	Odds per \$1. Play
 5 White Balls + POWERBALL	JACKPOT	1:54,979,155
 5 White Balls	\$100,000	1:1,249,526
 4 White Balls + POWERBALL	\$5,000	1:274,896
 4 White Balls	\$100	1:6,248
 3 White Balls + POWERBALL	\$100	1:7,049
 3 White Balls	\$5	1:160
 2 White Balls + POWERBALL	\$5	1:556
 1 White Ball + POWERBALL	\$2	1:120
 POWERBALL	\$1	1:84
Overall Odds 1:35		



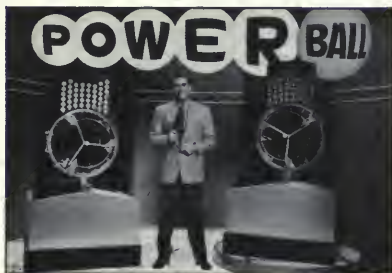
Drawings

Lottery drawings fall into two main categories: lotto and second-chance drawings. Regardless of the type of drawing or prize amount, the staff in charge of the drawings makes preparations for each drawing in the same careful way, ensuring that all security procedures are followed.

All drawings are carefully monitored, conducted in the presence of independent auditors, and recorded on videotape. Winning numbers are verified by the Drawings Officer, Security Officer and independent auditors prior to the results being made public.

Drawings for Lotto Games - Test drawings are conducted before the official drawing, to ensure that the balls are being drawn in a random fashion. If any number comes up four times during the test phase, a new set of balls is selected and tested. The drawings machine is also tested to avoid mechanical problems.

Before the official drawings can be held, the accounting for all sales pertaining to tickets for that particular drawing must be balanced. In the case of Powerball drawings, the accounts of all fifteen member states must be balanced. Should there be a problem in balancing sales, a security firm immediately secures the site of the lotto vendor's mainframe computer and the Lottery's security staff secures the Lottery's computer keeping the sites secured until a complete balancing is attained.



Drawings for Montana Ca\$h and Powerball are held every Wednesday and Saturday evenings. Montana Ca\$h drawings are held at the Montana Lottery, while Powerball drawings take place at the Multi-State Lottery Association headquarters in Des Moines, Iowa.

During fiscal year 1992/93 the Montana Lottery will hold 105 Montana Ca\$h drawings, apart from another 105 Powerball drawings to be conducted at the Multi-State Association headquarters in Iowa.

Second-Chance Drawings - Second-Chance Drawing promotions offer Lottery players a second chance to win by entering non-winning Scratch tickets in a drawing for prizes. These drawings are held periodically to help promote certain Scratch games, or to drive sales while creating excitement at a fair or mall event. Many Lottery retailers also undertake their own second-chance drawings as a mechanism to promote lottery sales.

During this fiscal year, the Lottery is giving players of "Keep On Truckin'" a second chance to win a 4x4 Ford truck through a second chance drawing on October 30, 1992. Players enter the drawing by submitting five non-winning "Keep On Truckin'" tickets to the Lottery.



Prizes

Approximately half of the Lottery's sales revenue goes back to players in the form of prizes.

Montana Lottery Millionaires

Date	Name	Amount	City
Apr 11, 1992	Sever & Esther Enkerud	\$ 2 Million	Glasgow
Nov 23, 1991	Darlene Sharp	\$ 47 Million	Havre
Feb 2, 1991	Karin Brier & Mindy Bowman	\$ 7.3 Million	Missoula
May 9, 1990	Danny Hopper	\$ 3 Million	Fort Smith
Jan 13, 1990	Katherine Summers	\$ 1.7 Million	Basin
Nov 4, 1987	Rose Ludwig	\$ 3 Million	Laurel

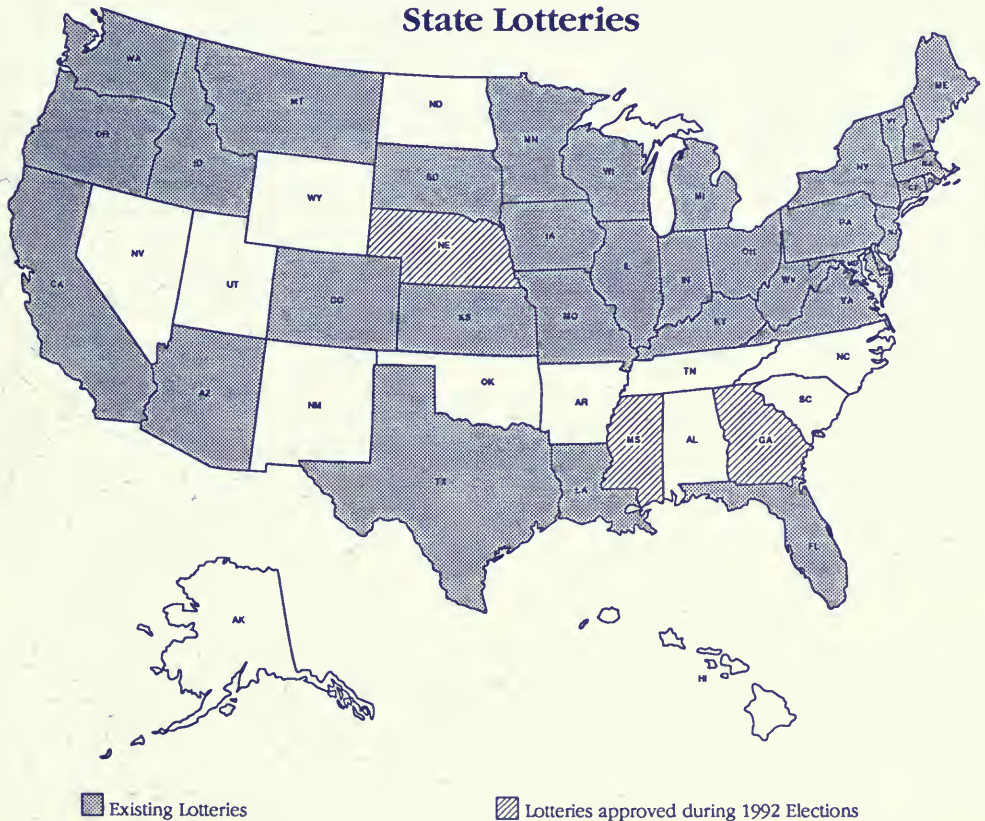


Between May and October of 1992, Montanans have won the \$100,000 second-level Powerball prize eight times. Since May of 1991, players have won a total of \$1.6 million in combined Montana Ca\$h jackpots. Additionally, since its inception the Lottery has given away thousands of other prizes, ranging from \$1 to \$950,000.

Lottery Industry

Lotteries are viewed by states as a voluntary form of taxation, which generates a considerable amount of revenues for programs which benefit the public. There are currently 37 state lotteries in the United States, with three more states having obtained public approval through a vote of the people during the 1992 elections.

State Lotteries



Calendar Of Events, July 1992-June 1993

	Meetings	Games/Promotions	Special Events	Trade Shows	Advertising
July		<p>10 Sales Begin for Cash Cows</p> <p>22 Sales Begin for Keep on Truckin'</p>	<p>15 Brewer Baseball Game Lottery Promotion - Helena</p> <p>18 Governor's Cup Fishing Derby - Glasgow</p> <p>24-1 Montana State Fair - Great Falls</p> <p>30 Montana Lottery Day at the Horse Races - Great Falls</p>		
August			<p>6 Mustangs Baseball Game Lottery Promotion-Billings</p> <p>7-16 Montana Fair Billings</p> <p>14 Montana Lottery Day at the Horse Races - Missoula</p> <p>20 Dodgers Baseball Game Lottery Promotion</p> <p>22 Montana Lottery Day at the Horse Races - Kalispell</p>	9-11 Ryans Trade Show/Billings	
September	<p>11 Lottery Commission Meeting - Helena</p> <p>23-24 Marketing Representatives Meeting - Helena</p>	30 Sales Begin for Lucky 7's	4 Montana Lottery Day at the Horse Races - Hamilton	9-10 Associated Trade Show/Billings	
October		30 Second Chance Drawing for Keep on Truckin'	3 Southgate Mall Promotion - Missoula		

Dates are tentative & may change

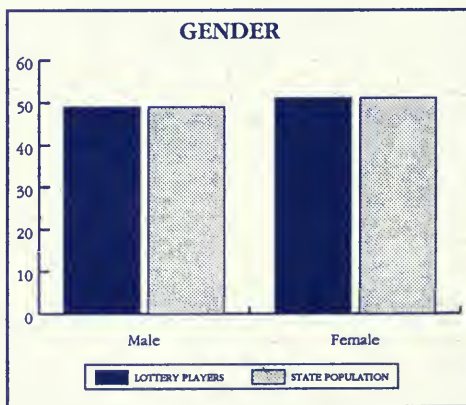
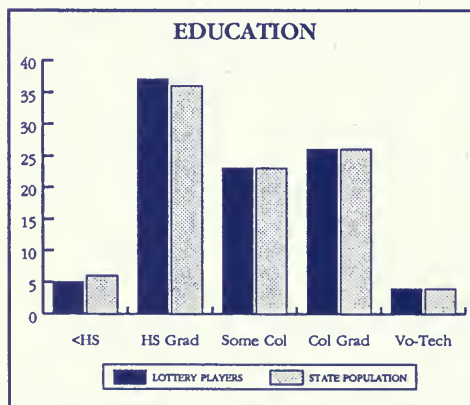
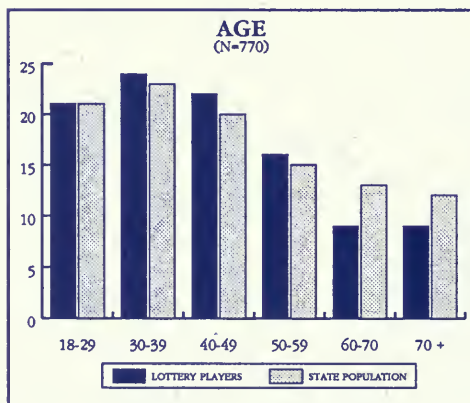
Calendar Of Events, July 1992-June 1993

	Meetings	Games/Promotions	Special Events	Trade Shows	Advertising
November		4 Sales Begin for Matching Suit			16 "Montana Wins" Outdoor Advertising Begins 19 "Montana Wins" Television Advertising Begins
December	1-2 Marketing Representative Meeting/Helena 3-4 Lottery Commissioners Meeting - Helena	16 Sales Begin for Winner Wonderland			
January		20 Sales Begin for Cash Reward	Mall Event	8-9 Food Distributors Trade Show/Billings	
February			Mall Events Bobcat/Grizzly Game		
March	Marketing Representatives Meeting/Helena	3 Sales Begin for Fat Cat	17 St. Patrick's Day Parade/Butte Mall Events	14-15 Ryan's Trade Show/Billings 27-28 Associated Trade Show/Billings	
April		14 Sales Begin for Deuces Wild	Mall Events		
May		17 Sales Begin for Big Sky Country	Mall Events 21-22 Bucking Horse Sale/Miles City		
June	16-17 Marketing Representatives Meeting/Helena	"Ask For The Sale Promotion"	18-19 National College Rodeo Finals/Bozeman		

Dates are tentative & may change

Montana Lottery Players

Player Demographics



Player profile survey conducted September 1991.

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